

The University of Michigan-Dearborn Innovation Index



Third Quarter 2011

**Release Date:
February 27, 2012**

CONTACT:

Prof. Lee Redding, Project Director of the Index
(313) 593-4680 or LRedding@umd.umich.edu

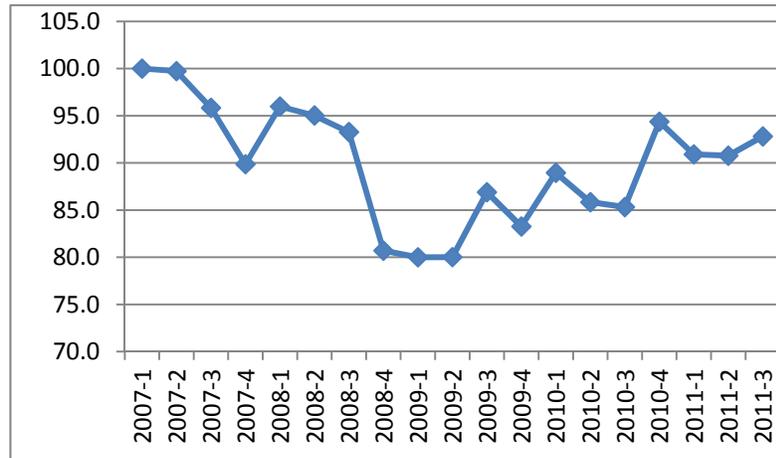
Tim Davis, Director of iLabs
(313) 593-4060 or tadavis@umd.umich.edu

Innovation Index Unchanged in Quarter

Remains Above Low Levels of Recession

(February 27, 2012) The University of Michigan-Dearborn's Center for Innovation Research – iLabs – today released its Innovation Index for the third quarter of 2011. The

Index rose in the third quarter from 90.8 to 92.8, leaving it well ahead of the year-ago number of 85.3. Growth in gross job creation and venture capital in the quarter overcame a drop in Small Business Administration Loans. As the accompanying chart shows, the Innovation Index has been gradually



improving since hitting a low during the worst of the credit crunch around early 2009.

Six indicators comprise the innovation index; in the last quarter, four advanced while two declined, and five of the six are above year-earlier levels.

- **Gross Job Creation** Gross job creation rose in the second quarter (due to data availability, this measure enters the Index with a one quarter delay) reversing two earlier quarters of declines. Gross job creation ran ahead of gross job losses for the quarter and was roughly the same as gross job creation from the same quarter in 2010. The quarterly increase in gross job creation added 2.1 points to the Index.
- **Venture Capital Funding** in Michigan, as provided by the MoneyTree™ report prepared by Pricewaterhouse Coopers and the National Venture Capital Association using Thomson Financial data, continued an increase in the most recent quarter. The third quarter increase in reported venture capital investment increased the Index by 1.3 points.
- **Trademark Applications** coming from the State of Michigan increased in the third quarter, continuing an increase which began in late 2009. Michigan trademark applications are now slightly ahead of a peak hit in early 2006. The third quarter increase in applications added 0.3 points to the Innovation Index.
- **Innovation Workers** are estimated by iLabs calculations based on Bureau of Labor Statistics data. The percentage of workers employed in science and engineering increased slightly in the third quarter after two quarters of decline, restoring 0.3 points to the Index.

- **Incorporations** and LLC filings in Michigan were down in the third quarter, although they remain slightly ahead of the levels in the third quarter of 2011. The quarterly drop reduced the Index by 0.8 points.
- **Small Business Administration Loans** through the Detroit office of the Small Business Administration fell modestly in the third quarter. While loans are well ahead of the same quarter last year, 2010 numbers were likely distorted by a temporary legislative provision. The third quarter drop in loan activity cost the Index 1.1 points.

Looking ahead, fourth quarter numbers may weaken slightly due to a reduction in trademark applications after a long series of consecutive increases. The next University of Michigan-Dearborn Innovation Index report, due out in late May, will contain a detailed report of fourth quarter 2011 activity with a preliminary indication for the first quarter of 2012.